

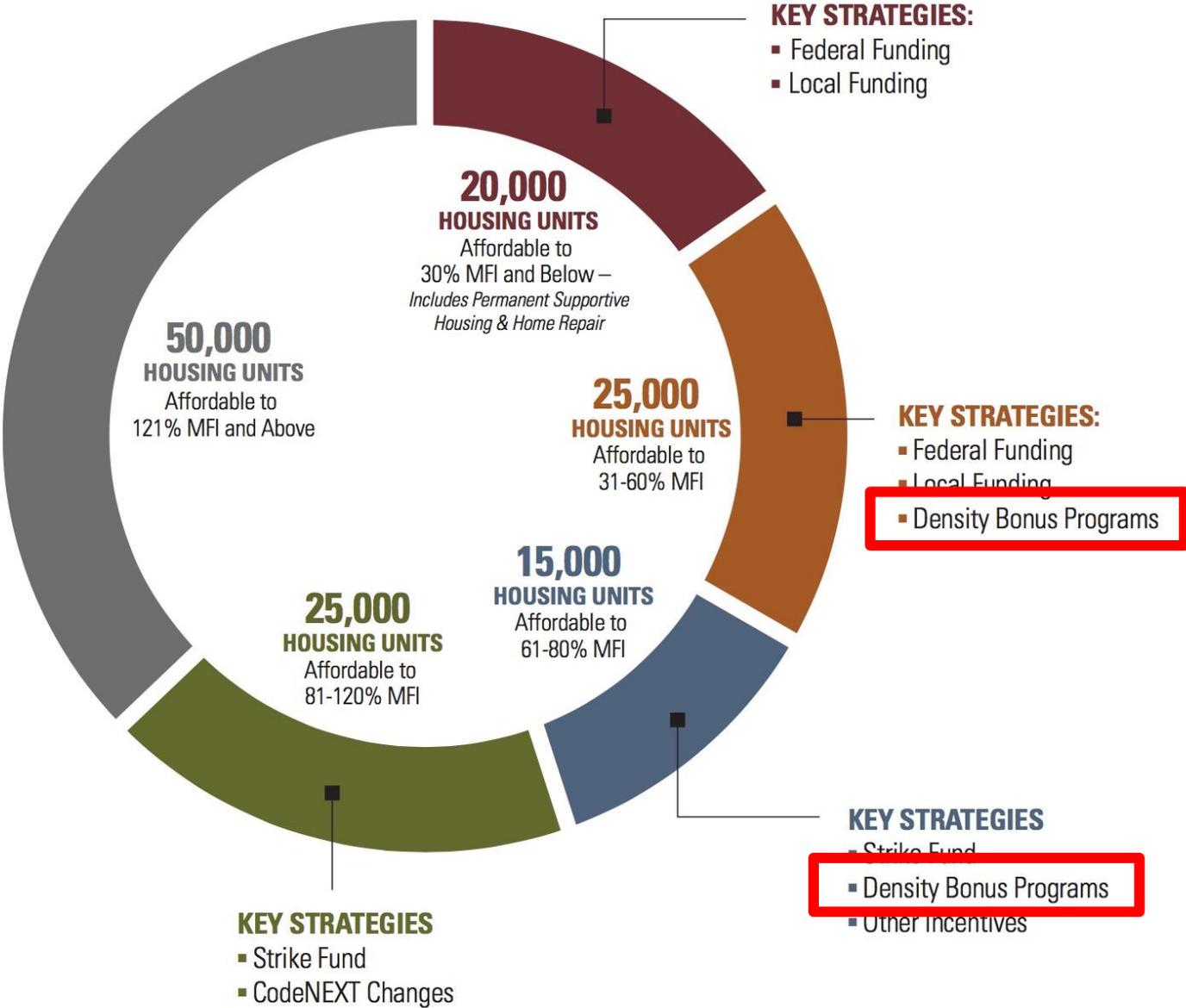
CDC, May 9th, 2017

Ian Carlton

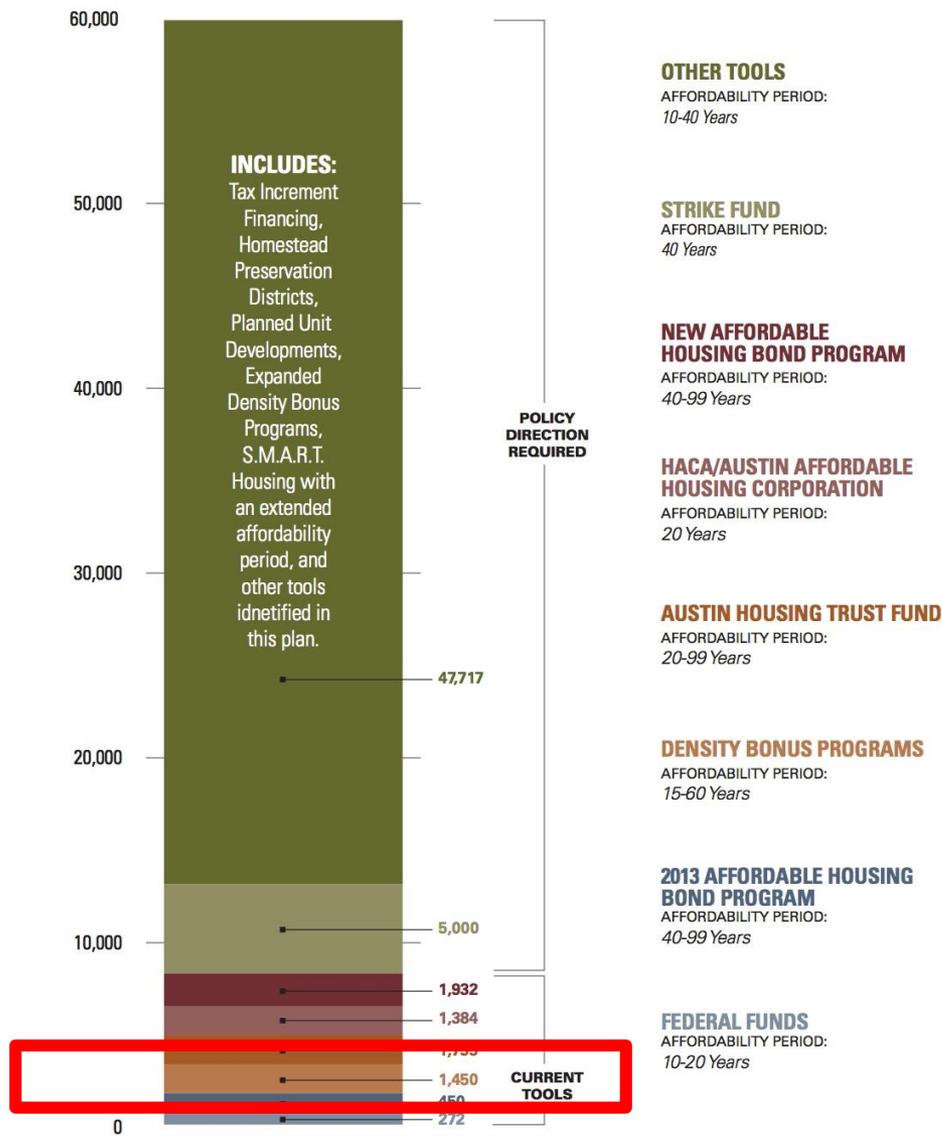
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Great Need For Affordable Housing



Affordable Bonus Program Is One Tool in



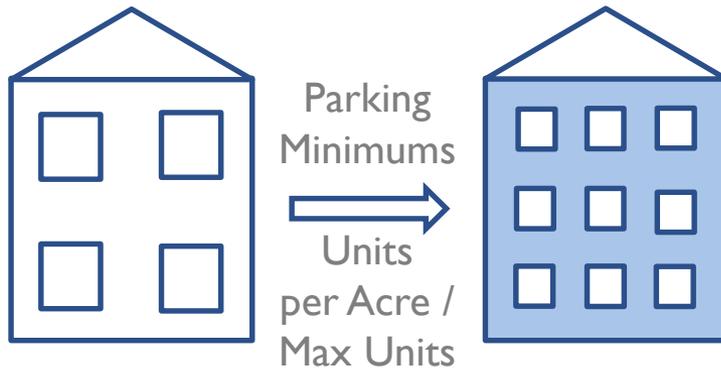
- What are density bonuses and how do they work for affordable housing?
- What do the CodeNEXT Draft Text and CodeNEXT Draft Maps tell us about bonus opportunities?
- What are some of the bonus policies under consideration?

Benefits of Affordable Housing Density

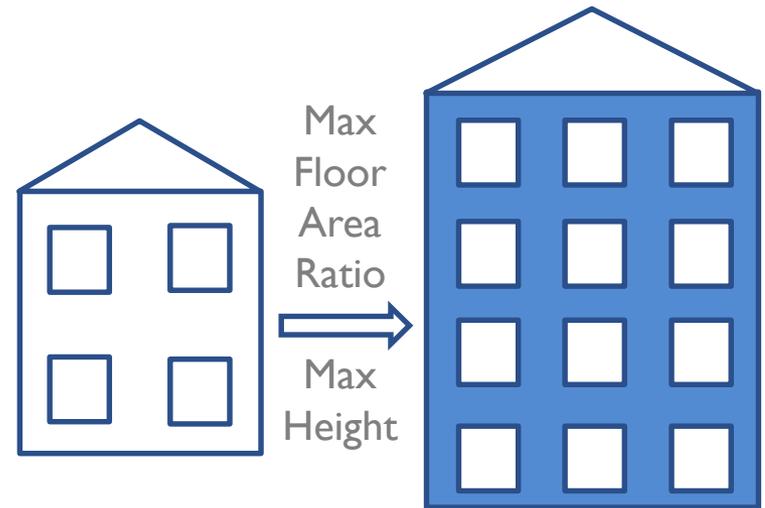
- Policy can leverage higher-end markets where development is already happening
- Bonuses can offset developer cost of providing affordable housing by providing additional entitlements with NO direct City funding
- Policy enables mixed-income buildings and communities

Density Bonuses Work in Two Primary Ways

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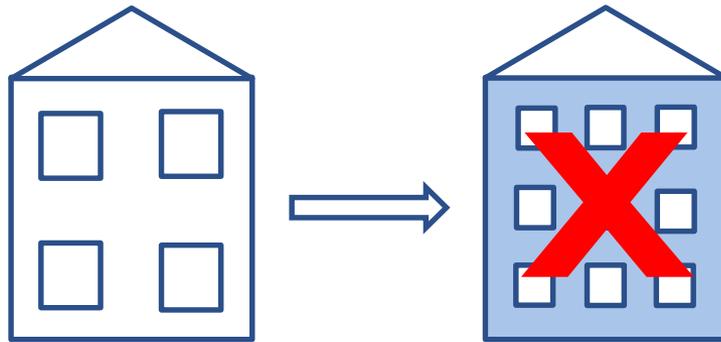
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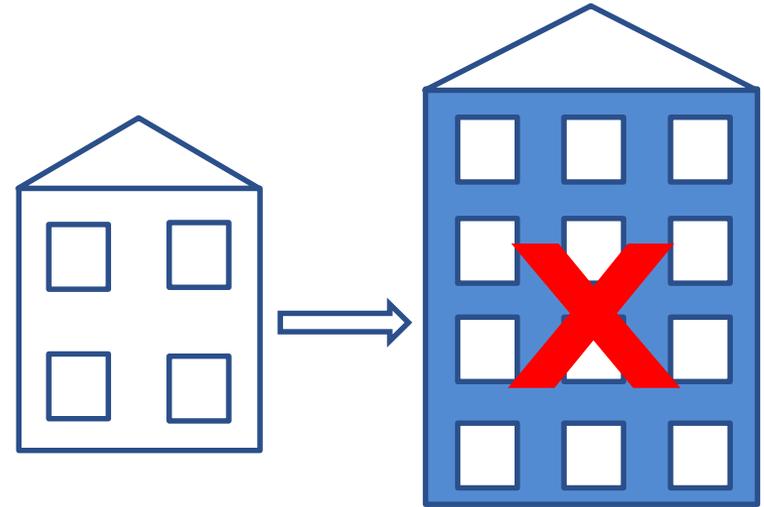
Developers can pay more for land and more
landowners may be willing to part with their
properties

Developers Will Not Always Take a Density

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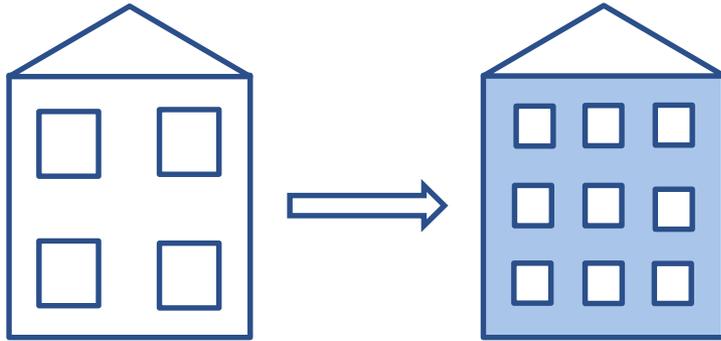
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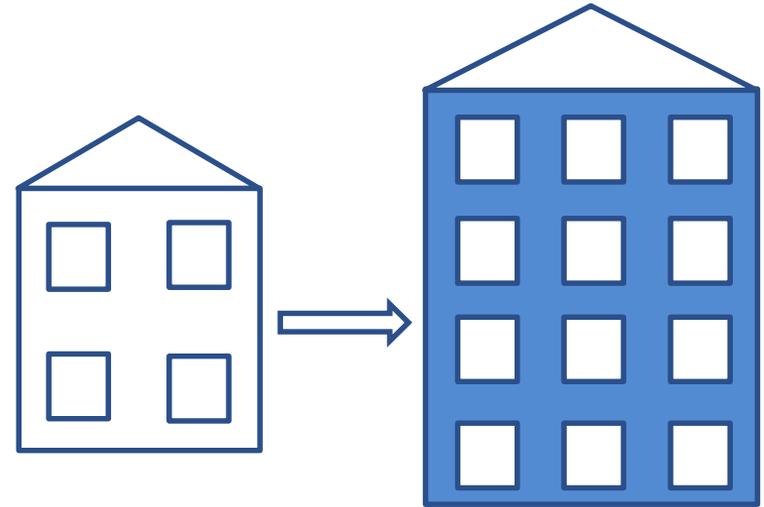
Market limitations (e.g. low demand) or construction costs can negatively impact development feasibility

Leveraging Density Bonuses for Affordability

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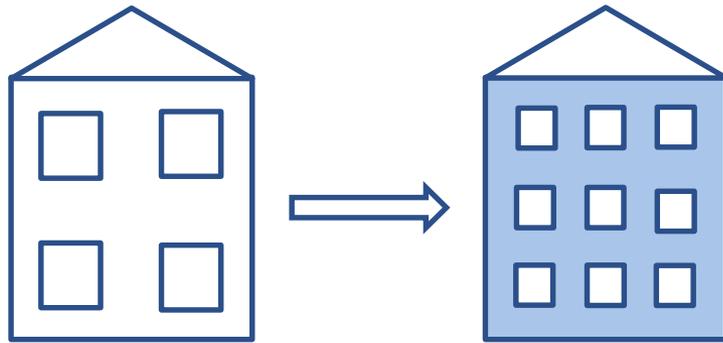


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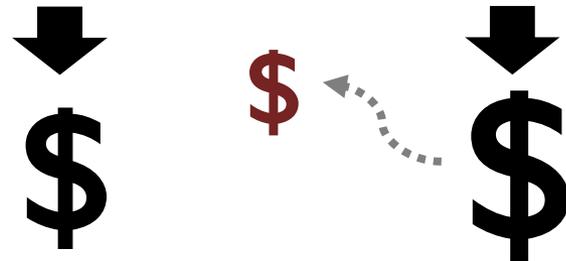
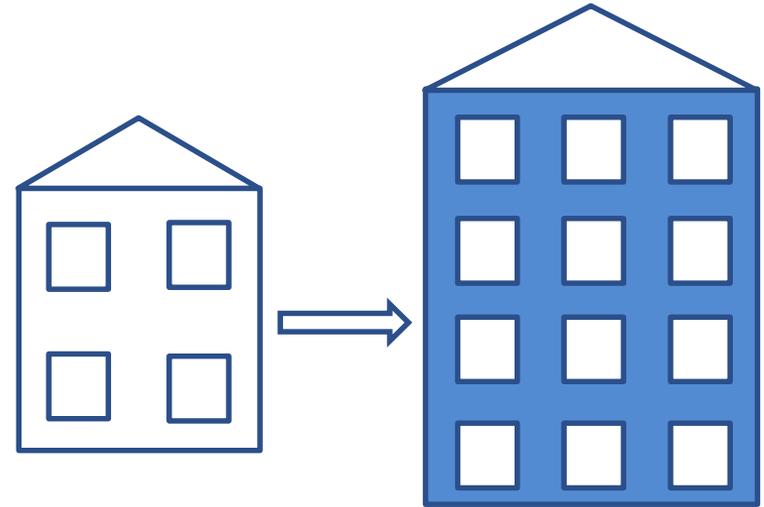


Leveraging Density Bonuses for Affordability

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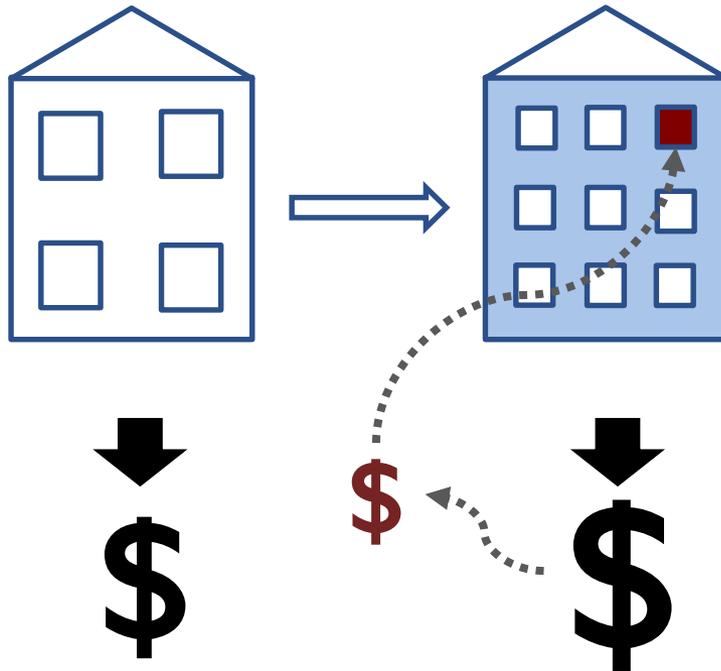
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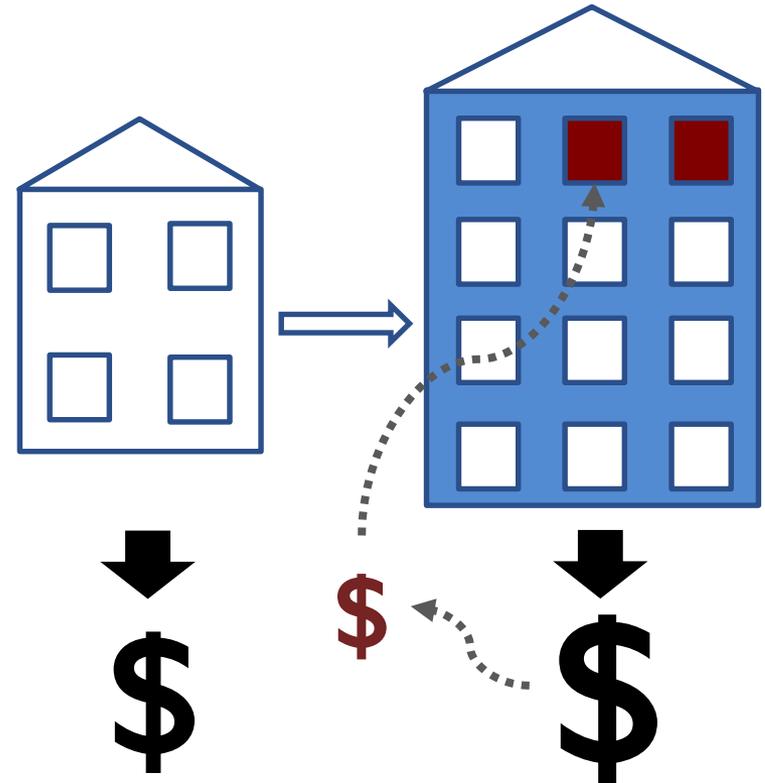
In some circumstances, developers can pay as much or more for land while spending some \$ on public benefits

Leveraging Density Bonuses for Affordability

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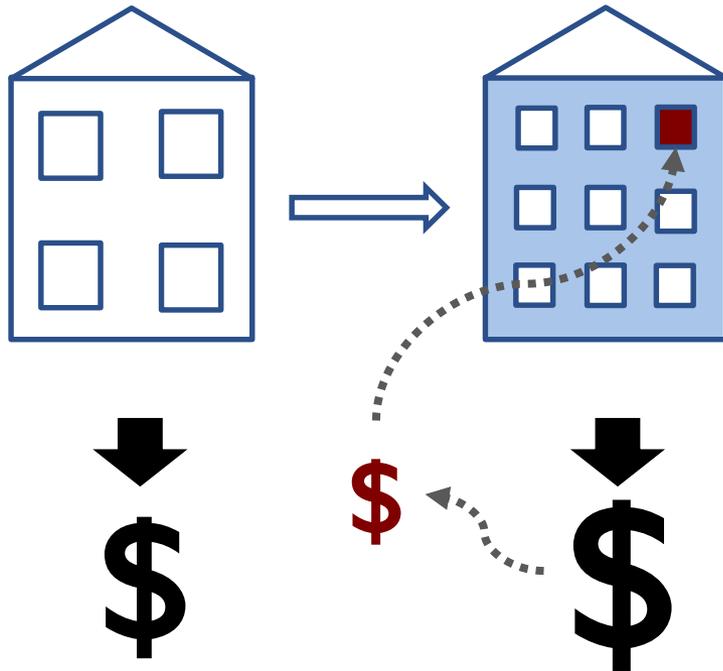
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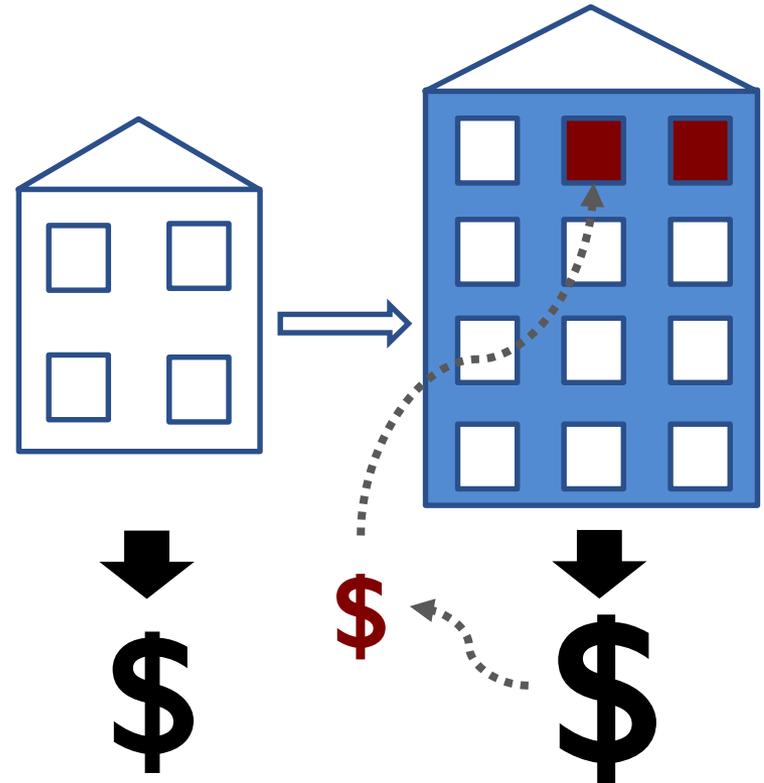
Public benefits may include affordable housing

But Requirements Can Limit Bonus Use

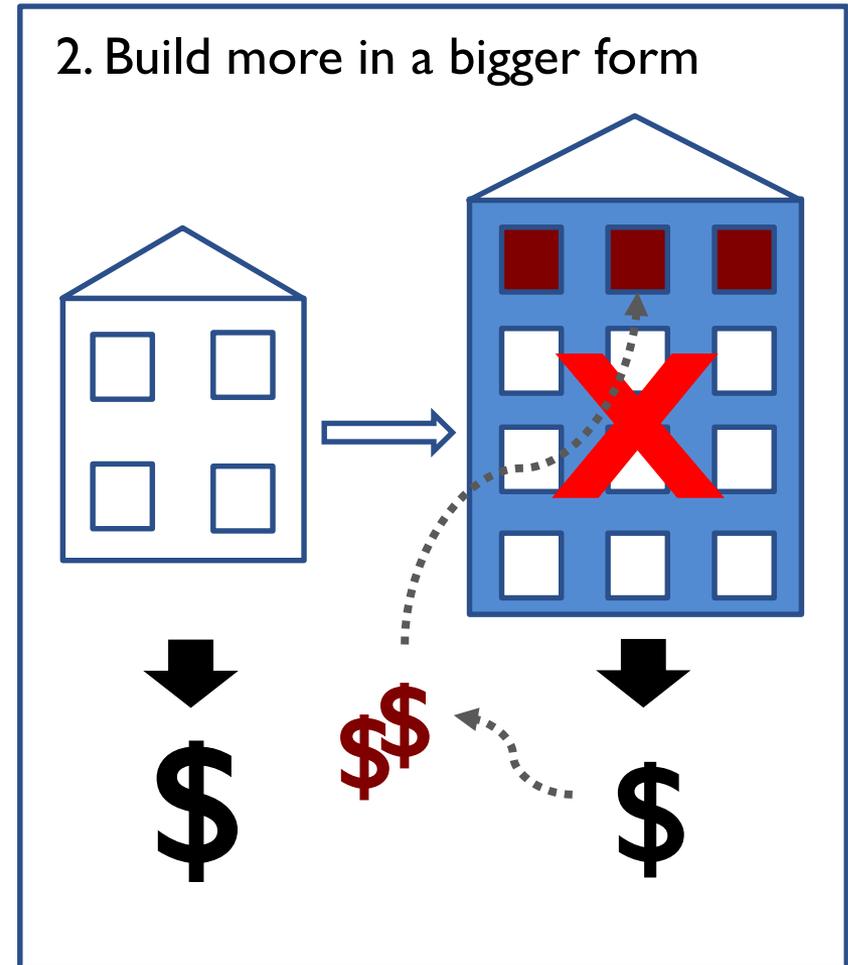
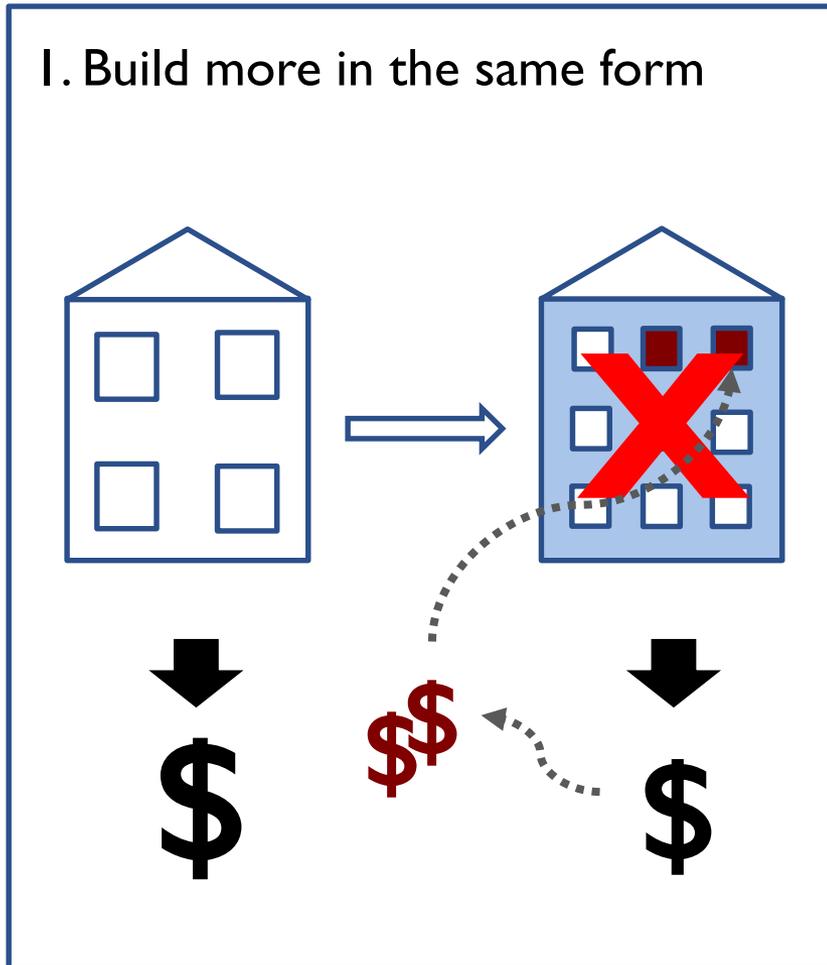
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But Requirements Can Limit Bonus Use



Requirements can be too costly, outweighing the benefits of the density bonus

Austin Has Defined Density Bonus Areas

Existing density bonus areas*:

- Downtown/Rainey
- UNO
- TOD
- NBG
- ERC
- VMU



~12 square miles

~4% of the City's area

[full and limited purpose jurisdictions]



Existing density bonus areas
(see Austin Strategic Housing Plan)

*Excludes several districts and master plans with affordability targets (e.g., Mueller, Colony Park, South Central Waterfront)

Potential Bonuses in New CodeNEXT Zones

Bonuses Potentially Available



MDR
MHDR
HDR
VHDR
RC
CC
DC
GC L/O
SC L/O
T6U/R
T6UC

NC L/O
LC L/O
T4N.DS/O
T4N.IS/O
T4N.SS/O
T4N/O
T5N.SS/O
T5U.SS/O
T5U/O
T5MS

Bonuses Not Anticipated



RR
VLDR, LDR
LMDR, LMDR-SL
MHP
HC, WC
CR
FI, GI, HI, R&D
P, AV
AG, OS, DR
T3NE.WL
T3NE
T3N.DS
T3N.IS
T3MS/O
T4MS/O

Potential Bonuses Could Cover ~300% More

12 sq mi

**Existing
bonuses**

Downtown, UNO, TODs,
ERC, NBG, VMU



Existing density bonus areas

(based on COA data)

Potential Bonuses Could Cover ~300% More

12 sq mi

Existing
bonuses

Downtown, UNO, TODs,
ERC, NBG, VMU

-3 sq mi

Replace
existing VMU
zones

+30 sq mi

Offer new
residential
bonuses

+18 sq mi

Offer new
commercial
bonuses

**~48 net square miles
of eligible areas***



Potential area with density bonuses
(based on draft CodeNEXT map released 4/17/17)

*Note: Residential and commercial bonuses overlap in some instances

Potential Bonuses Could Cover ~300% More

12 sq mi

Existing
bonuses

Downtown, UNO, TODs,
ERC, NBG, VMU

-3 sq mi

Replace
existing VMU
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+30 sq mi

Offer new
residential
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+18 sq mi

Offer new
commercial
bonuses



**Bonuses available over ~50%
more Imagine Austin land area***



Potential area with density bonuses
(based on draft CodeNEXT map released 4/17/17)

*Note: Currently 20% vs. 30% coverage under CodeNEXT draft

Potential Bonus Policy Parameters

To build bonus area on a site, the following options are being considered:

- **For housing developers:**
 1. Provide units at 60% MFI for rental or 80% MFI for ownership, OR
 2. Build at least an equal number of affordable units offsite within a maximum distance, OR
 3. Pay the Housing Trust Fund a fee-in-lieu of providing affordable units

- **For commercial developers (hotel/office/retail):** Pay a fee-in-lieu into the Housing Trust Fund

Bonus Policy Takeaways

Potential Bonuses:

- Available to residential and commercial developments (office, mixed-use, hotel) in specific CodeNEXT zones
- Offered in 300% more land area than current bonuses
- Bonuses still offered in all locations with current bonuses

Potential Bonus Requirements:

- Residential: Build on-site or offsite / Pay in-lieu fee
- Commercial: Pay fee for bonus area
- Consistent across zones

Potential Timing of Policy Language Release:

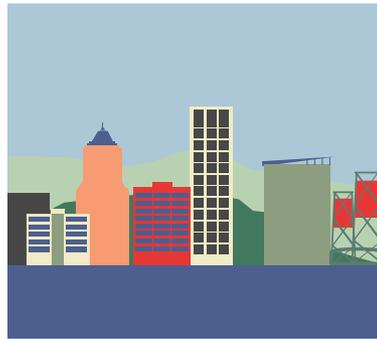
- Calibration to reflect ongoing CodeNEXT draft code text revisions and draft map changes
- Anticipate further policy details will be released in mid-June

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Expanded Affordability Toolkit

By Abe Farkas May, 2017

- Focus on creation of new unit creation at 60%MFI (\$48.6k for family of four) by the private sector
- What mechanisms are available that complement a zoning code?
 - Legal?
 - Most impactful?
 - Underutilized?

Tools Evaluated

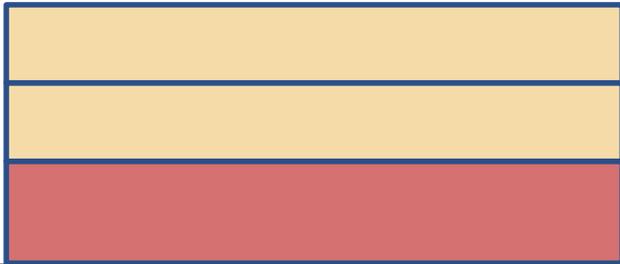
Private/ Nonprofit	Development- Derived	Regulatory	Tax Exemptions/GO	Federal	Other
Community Land Trust expansion	Existing Density Bonus Programs	Streamline City Codes and Permitting Processes	Multifamily tax exemption program	HUD 202 supportive housing for the elderly	Land Banking, Assembly, Property Price Buy Down
Austin Affordable Housing Corporation	Tax Increment Financing	Allow development on smaller houses on smaller lots	Targeted Preservation Property Tax Exemption	CDBG and HOME funds	Austin Housing Trust Fund
New Market Tax Credits	Expanded Density Bonus Programs	Relax regulations for ADUs	Homestead Property Tax Exemption for communities at risk of displacement	Leverage LIHTC	NHCD Housing Developer Assistance
Strike Fund	Transfer of Development Rights	Relax regulations on more affordable products and cooperatives	2013/16 Affordable Housing Bond	National Housing Trust Fund	Restructured SMART housing with longer affordability periods
Private Sector Fund for Affordable/ Workforce Housing	Planned Unit Developments		General Fund Appropriations		
Philanthropy	Impact Fees				
Public Improvement District	Construction Excise Tax				
Real Estate Transfer Tax	Inclusionary Zoning				
Real Estate Investment Trust	Homestead Preservation District (+Homestead Preservation Reinvestment Zones)				

Core Affordability Toolkit

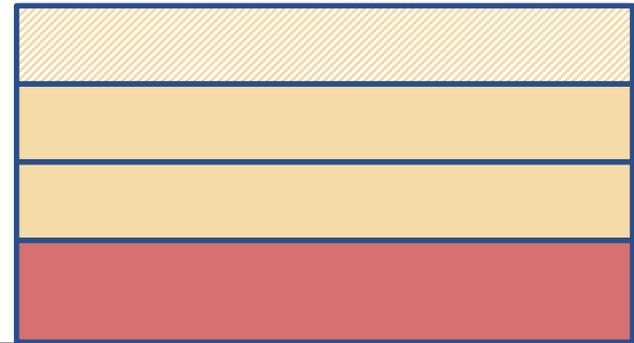
	Targeted Geography	Citywide
Most Impactful	<ul style="list-style-type: none">• Tax Increment District Finance• Homestead Preservation Zones• Development Agreement	<ul style="list-style-type: none">• Housing Bond• Multifamily Affordable Housing Tax Exemption• Strike Fund• Landbanking
Supportive Tools	<ul style="list-style-type: none">• Density Bonus Program• Public Improvement District	<ul style="list-style-type: none">• Philanthropy

Sample Prototype

- Modeling 50k SF lot with 80% lot coverage (40k SF building footprint)



- 75 apartment units
- 1.0 parking space per unit



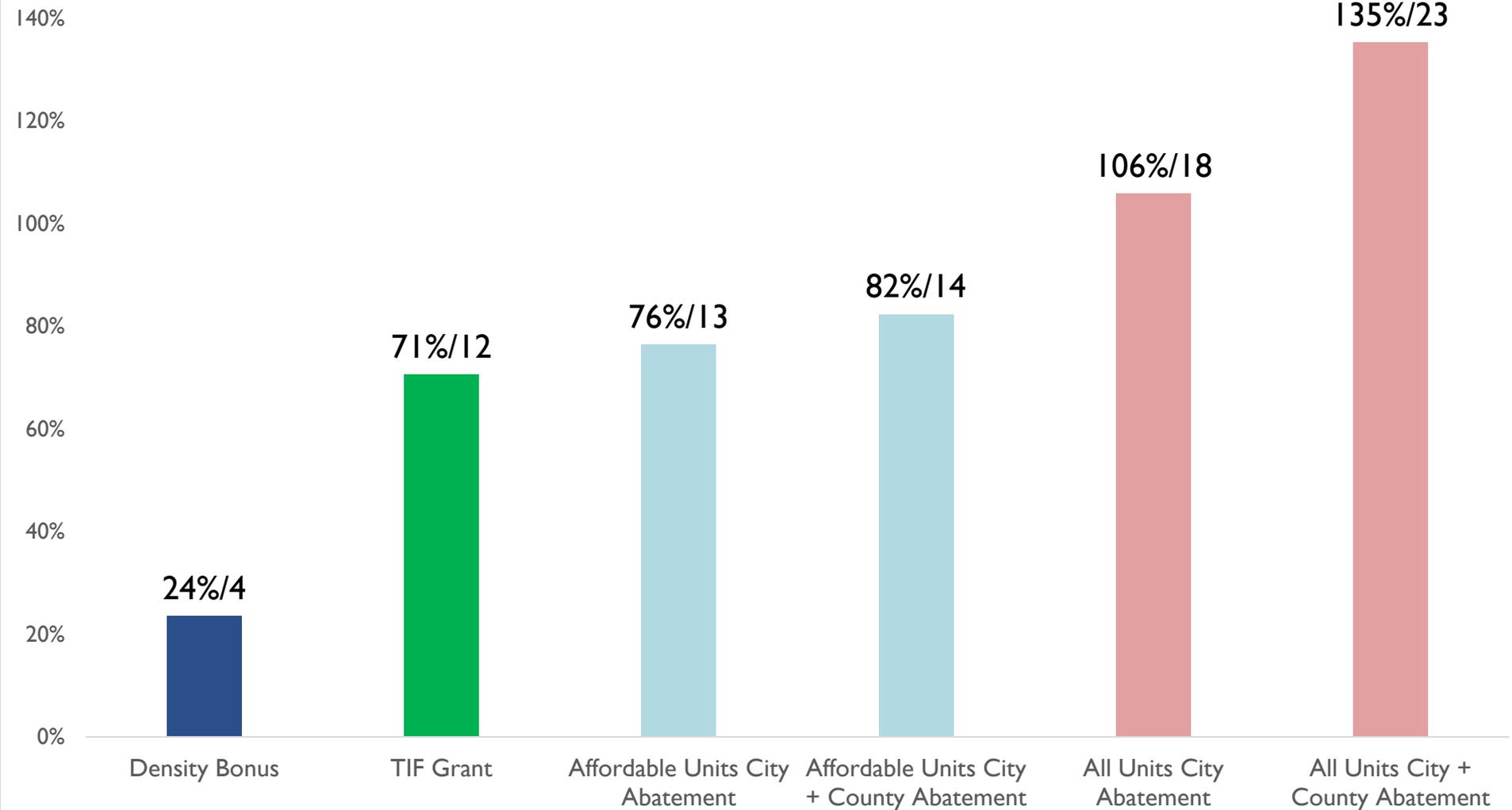
- 92 apartment units
 - 17 bonus units
- 1.0 parking space per unit

Tax abatements - Toolkit

- Assumptions
 - Hard construction cost: \$190 for podium
 - \$20k / parking space
 - Blended rent: \$3 SF
 - Operating expenses 30% of revenue
 - Property taxes are 60% of opex
 - Return on cost: 6% (5% CAP + 20% margin)
- Residual Land value: \$90 per SF of Land (\$3.8M/acre)
- TIF modeled as a grant
 - Reduces development budget in ROC model
- 10% of construction costs (excluding land)
 - \$2.7 million as modeled in prototype
- Tax abatements modeled to reduce op ex
 - 20% tax abatement for City
 - 40% tax abatement for City + County
- Tax abatements layered on top of TIF grant
- Modeled abatement for: Affordable units only & all units

Toolkit Affordability Results

**Percent and number of Affordable Bonus Unit
(holding RLV constant)**



Case Study – Portland's Pearl District



Case Study: Pearl District (Portland, Or.)



TIF District-wide affordable units goal: 25%

- Varies by building (100% afford to market rate)
- 2017 status: 22% built
- Over 8,000 total units in Pearl (1760 affordable)

Pearl District Affordability Tools

- Development agreements
- TIF to fund infrastructure
- TIF for affordable housing (loans/grants)
- Property tax abatement
- Land write downs
- LIHTC

Pearl District Housing

The Parker
Market Rate



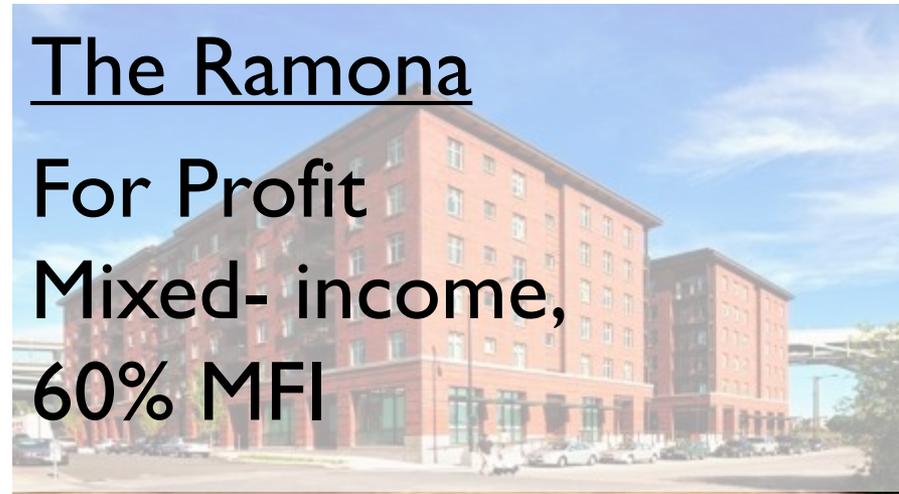
Kearney Plaza
Market Rate



The Sitka
For Profit
Mixed-income,
50-60% MFI



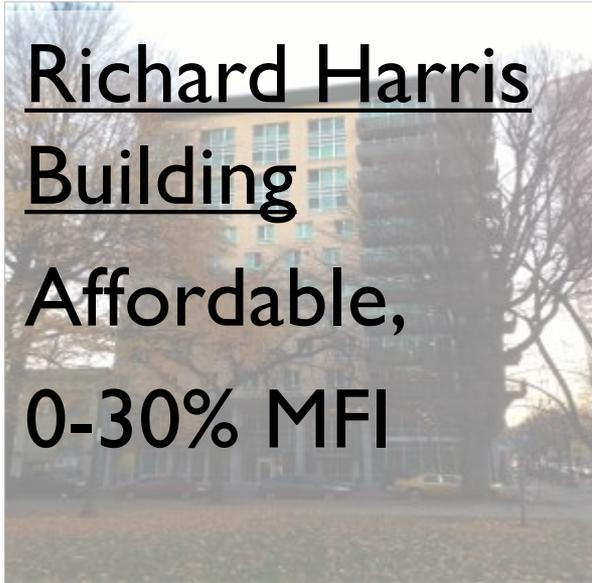
The Ramona
For Profit
Mixed-income,
60% MFI



Pearl District Housing

Richard Harris Building

Affordable,
0-30% MFI



Freedom Center

For profit micro
apartments



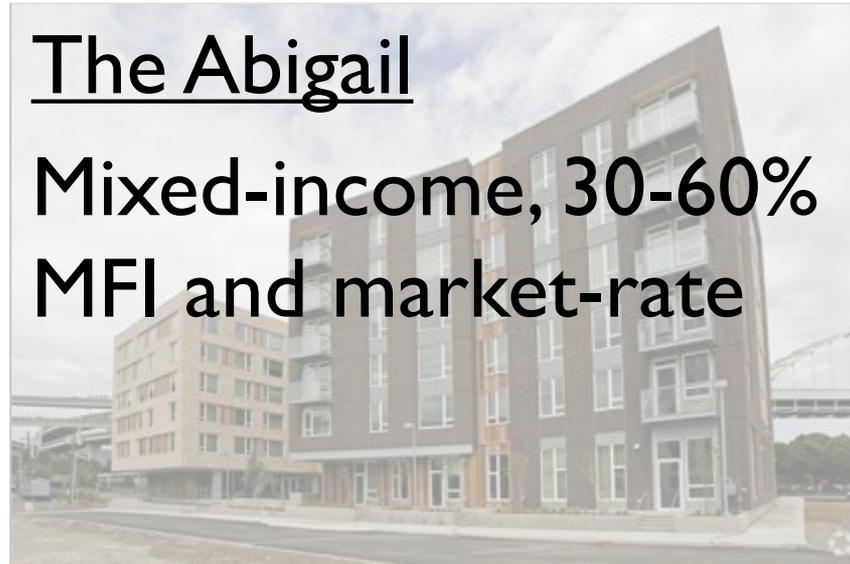
Pearl Court

Affordable,
40-60% MFI



The Abigail

Mixed-income, 30-60%
MFI and market-rate



Pearl District Housing

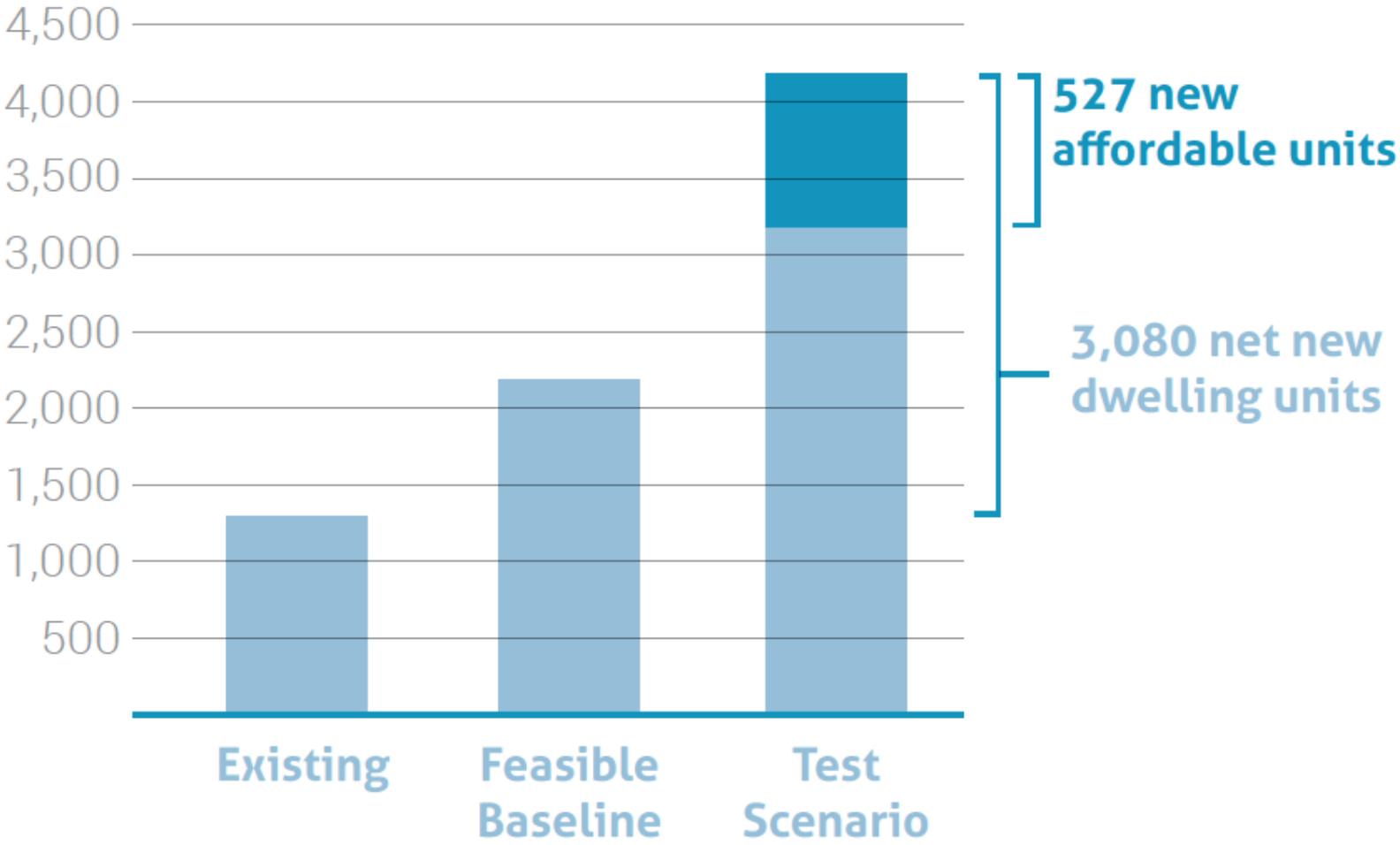


South Central Waterfront District Toolkit



Stephanie Bower | Architectural Illustration

SCW Housing Potential



SCW Funding Toolkit

	Transportation Infrastructure	Parks & Open Spaces	Affordable Housing
Privately Funded			
Public Improvement District	✓	✓	✓
Transfer of Development Rights		✓	✓
Philanthropy		✓	✓
Publicly Funded			
Tax Increment Financing	✓	✓	✓
CIP Funds	✓	✓	
Parking Fund	✓		✓
Affordable Housing (tax abatements/credits, Strike Fund)			✓

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